



## YieldQuest Core Equity Fund (YQCEX)

### **Fund Objective**

•The YieldQuest Core Equity Fund is designed for investors who seek long-term capital appreciation and, secondarily, income.

### **Instruments we Use**

•We utilize a variety of instruments in our portfolio, including, but not limited to, common stock and common stock equivalents (such as rights, warrants and convertible securities), open end mutual funds, ETFs, actively managed equity closed-end funds, foreign stocks, publicly-traded partnerships, and equity real estate investment trusts ("REITs").

### **Sector Allocations**

- Our portfolio management process begins with a top down approach – an analysis of macroeconomic fundamentals, monetary policy, interest rate and inflation -which is then applied to a sector-specific analysis.
- We utilize a historical premium/discount model to determine whether sector/asset class valuations are "rich" or "cheap" relative to historical averages.
- In addition, we analyze sentiment, momentum and other technical indicators to determine which sectors have fallen out of favor, making them attractive from a contrarian standpoint.
- We also analyze relative performance metrics, to determine which sectors have underperformed their peers, implying a potential mean reversion towards historical relationships over time.
- Finally, we closely monitor our competitors' positioning to determine how we are positioned relative to our peers, in addition to monitoring how we are positioned relative to appropriate benchmarks.

### **Security Selection**

- We utilize a proprietary multi-factor screening tool which focuses on earnings and our assessment of the relative growth and/or value opportunities and risks of a particular security.
- When selecting ETFs and other investment companies, we analyze the underlying fund's investment strategy, the experience of its portfolio managers, its performance history, volatility, comparative return and risk data, asset size, and expense ratios.
- We also analyze other technical factors, such as the past performance of the security compared to other securities over various time periods and price and volume behavior.
- Individual securities are selected based on our assessment of the capital appreciation prospects of the particular security, as well as an of the areas of the market that may be expected to perform the best.
- We examine the fundamental characteristics of an issuer, including industry conditions and outlook, market position and management's ability and reputation.
- In choosing closed-end equity funds, we utilize historical models to determine whether the funds are trading at "discounts" or "premiums" to the fund's NAV and compare that discount or premium to the fund's historical average premium/discount.
- We look to diversify across securities and maturities, though doing so does not ensure a profit or protect against a market loss.
- The selection of specific closed-end funds are based not only on fundamental analysis described above, but also on the fund's performance record, price volatility, asset size, expense ratio, and investment style.



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### Turnover

•Because of our active trading strategy, our Fund may experience a high portfolio turnover rate. High turnover may lead to higher trading costs which may expose the Fund (and investors) to higher fees.

### Hedging Strategies

- We selectively use derivative-based strategies, with the objective of minimizing downside volatility and potentially increasing our Fund's Sortino ratio over time. The Sortino ratio measures the risk-adjusted return of an investment asset, portfolio or strategy. It is a modification of the Sharpe ratio but penalizes only those returns falling below a user-specified target, or required rate of return, while the Sharpe ratio penalizes both upside and downside volatility equally. It is thus a more realistic measure of risk-adjusted returns than the Sharpe.
- These strategies may include options, futures, options on futures, swaps, and forwards.
- In addition, CEFs tend to exhibit low correlations to other asset classes over time, potentially providing diversification benefits to our portfolio overall.
- Finally, our portfolio is positioned to potentially do well in a rising rate environment given our macro-outlook on rates, an environment in which other traditional long-only managers or indexes may not perform as well.

### Why We Believe the YieldQuest Core Equity Fund May Be Attractive Now

- Many equity holdings were purchased during the crisis period at attractive levels/valuations historically, and remain attractively priced in our opinion, implying a potential performance tailwind as the credit market recovers and these prices return over time to levels more in line with their underlying fundamentals.
- We believe the equity CEF sector continues to be attractively priced based on historical valuations, thereby creating a potential tailwind to performance looking forward.
- Our risk management process may help mitigate the downside risk of this portfolio going forward.

### Other Important Information About our Fund

#### Portfolio Risks

- Equity securities risk
- Growth and value risk
- Volatility risk
- Market risk
- Investment company securities risk
- Foreign securities risk
- Emerging Markets risk
- Short sale risk
- Derivatives risk
- Issuer risk
- Publicly-Traded Partnership risk
- Turnover Risk
- Real Estate Investment Trust risk
- Securities Lending Risk
- Currency risk



## YieldQuest Core Equity Fund (YQCEX)

There is no guarantee the fund will meet its objectives. Shares in the fund carry risks including possible loss of principal. Shares in the fund are not deposits, or obligations of, or endorsed by, any bank, the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any government agency.

*Carefully consider the Fund's investment objectives, risks, sales charges, and expenses; these are found in the prospectus. This and other information about the YieldQuest Funds is contained in the prospectus and should be read carefully before investing. The prospectus is available from your financial advisor or at [www.yieldquest.com](http://www.yieldquest.com). You may also call (866) 973-8637 to request a copy.*

Equity funds are subject generally to market, market sector, market liquidity, issuer, and investment style risks among other factors, to varying degrees, all of which are more fully described in the fund's prospectus. Small and midsize companies carry additional risks because their earnings and revenues tend to be less predictable, and their share prices more volatile than those of larger, more established companies. The shares of small companies tend to trade less frequently than those of larger, more established companies. To the extent the fund invests in foreign securities, the fund's performance will be influenced by political, social, and economic factors affecting investments in foreign companies.

Short sales may involve substantial risk and "leverage." Short sales expose the fund to risk that it will be required to buy the security sold short at a time when the security has appreciated in value, thus resulting in a loss.

The Fund may invest in the shares of other mutual and exchange traded funds. These underlying funds may be subject to their own operating fees and expenses. There are special risks associated with international and emerging investing, including currency fluctuations, economic conditions and different governmental and accounting standards. The Fund may utilize short sales or invest in options and futures which may subject the portfolio to higher risk and volatility.

*The Funds charged a 2% redemption fee on shares held less than 90 days until June 18th, 2007. The performance shown does not reflect the deduction of this fee. Had it been reflected, it would have reduced the performance shown. The Fund's management has waived or is currently waiving a portion of its management fees. The performance shown reflects the waivers without which the performance would have been lower. Investors should note that mutual fund values may fluctuate and the fund's price may rise or fall. Accordingly, investors may receive back less than originally invested*

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